

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6277

BILL NUMBER: SB 305

NOTE PREPARED: Jan 1, 2011

BILL AMENDED:

SUBJECT: Purchase Options for State Highway Projects.

FIRST AUTHOR: Sen. Buck

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 X FEDERAL

IMPACT: State

Summary of Legislation: The bill authorizes the Department of Transportation (INDOT) to acquire purchase options for property needed for state highway projects. It provides that real property to which the INDOT has acquired only a purchase option remains subject to property taxes.

Effective Date: July 1, 2011.

Explanation of State Expenditures: The fiscal impact of the bill on state purchases of real property for state highway projects will depend on several factors, including:

- (1) Whether the property actually becomes part of the state highway project.
- (2) If the advanced purchase option price was lower than the price would have been at the time of purchase.
- (3) The effect that the purchase option will have on federal reimbursement.

State Highway Project: One concern in construction of a major highway project is preservation of land in the area of a highway project. Project planning begins in general road layout and continues to specific route design, resulting in a wide area that may or may not be used in a road project. Price may change along these routes for a number of reasons, including economic growth in the corridor of the highway project. A purchase option provides a way for the state to offer to purchase a property at a specific price within a specific time period without actually having to purchase the property. This may mitigate increases in cost and could reduce the complications in the procurement process. However, if the purchase option is not exercised (even after the one renewal period allowed under the bill), the value of the purchase option will be an additional project cost and will not reduce project costs.

Purchase Price at Time of Purchase: INDOT pays for land and may pay a relocation settlement. Any amount that INDOT pays may be subject to litigation which increases the acquisition costs in most cases. If the total cost of the purchase options on a state highway project (including purchase price, relocation costs, purchase option costs even for options that expire or are not exercised, and litigation costs) are less than the costs at the time of acquisition would be, the state has saved money.

Federal Funds: INDOT will have to use state funds to acquire purchase options. Early purchase projects using state funds may be used toward the nonfederal share of a project. Reimbursement of early acquisition projects is at the usual state rate, as long as the purchase conforms with federal purchase or relocation requirements. INDOT funding comes from dedicated sources, including the State Highway Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: INDOT.

Local Agencies Affected:

Information Sources:

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